

INSIDE/ OUT

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CANADIANA

STRATEGIC PLANNING AND RESEARCH BRANCH
ALBERTA ECONOMIC DEVELOPMENT AND TRADE

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A LETTER FROM ALBERTA

Honourary Consul of the Netherlands

At our request Honourary Consul of the Netherlands, Rikke Dootjes has written a letter of introduction explaining his work and his office.

Dear Reader:

Please allow me to introduce myself, I am Rikke H. Dootjes, the newly appointed honourary consul of the Netherlands. I would like to describe to you what it means to me to be the honourary consul of the Netherlands.

The rich history of the office of consuls dates back further than that of embassies. Their original objective, was the protection of nationals of the sending state in foreign countries. The Greeks in ancient Egypt had the right to appoint magistrates to administer justice to their compatriots while in Egypt. Long before the beginning of our era, Proxenos was charged with looking after his countrymen and with settling disputes between foreign merchants. During the 11th and 12th centuries, a number of European countries exacted from each other the privilege of appointing consuls.

The Dutch republic, which sent its first representative to foreign lands in 1584, and was the first country to regulate the consular service by statute. Since 1945 the term Honourary Consuls has come into common use to indicate the distinction between them and the career consular diplomats. This distinction also appears in the 1963 Vienna Convention of consular relations.

The modern honourary consul occupies a complex position, affording standing in political, commercial and

other circles. The state takes great care in selecting those appointed to such a position of trust. There are many different relations I have to tend, from media to business to political. As honourary consul I also have to provide assistance of various nature to many different people that have had or still have ties with the Netherlands.

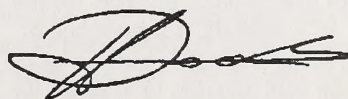
After a wonderful reception in my honour, my first meeting with the consular corps, and my introduction to the chief of protocol, came the Royal Decree, which is hanging proudly in my office.

I have met many government officials and business people with international interests. Quickly one realises how much work there is to be done, and this is truly not different than any other organization, in order for it to function, it has to be team work.

Together with his staff, our consul general in Vancouver is giving me a lot of guidance, also the professional staff in our Edmonton office are giving me a lot of assistance.

When our Ambassador, his excellency the Baron de Vos van Steenwyk, paid our province a visit I was given the opportunity to introduce him to many interesting people, individuals that make the decisions in Alberta, some I had just met myself.

I have begun to realize my position as honourary consul. I am a proud link in the great network of that puts people, business and countries together. This is why the position as honourary consul is truly an honour.



Rikke Dootjes
Honourary Consul of the Netherlands

A scenario approach to planning

Need for a New Planning Tool

Planners both in business and government are facing an increasingly difficult task of assessing the future environment in which their policies and programs will be implemented. They are frustrated daily by a piece of news which shatters their confidence in their perceptions of the world. Over the last couple of years, we have watched the world order shift beneath our feet. Surrounded by major upheavals in technological innovation, industrial structures, social values and institutions. There is no certainty in the direction of change. What is certain is that the world has entered into a period of large scale transition: a transition from an old order, which has ruled most of the postwar period, to a new and as yet, indiscernible order.

The scenario building process is an organized look at uncertainty. Twenty years in Europe if you were to have said that they would be peacefully forming a unified collective identity in the 1990s they would have laughed. If you were to have said in Alberta in 1975 that oil in 1992 would be the same price that it was in 1972 (in real terms) you would be ostracized. If anyone had told you two years ago that the Berlin Wall would be down in 1991 you would have thought him crazy. Scenarios cannot predict these happenings but they can provide a method for dealing with their occurrence. Can you imagine being in a planning mode where no matter how extraordinary the occurrence, you had a method and contingency to deal with the events as they unfolded? An organization with a planning method to account for such occurrences as a unified Europe or the collapse of the eastern bloc nations before they occurred would have a tremendous advantage over their competitors.

In this increasingly turbulent economic environment, planning for the future means accepting uncertainty, and trying to understand the nature of the uncertainty. As a valuable addition of the policy planning process, the scenario approach is a tool that prepares planners for the uncertainty of the future. In a nutshell, it is a method of thinking systematically of many alternative pictures of the future world. Scenarios can help planners to examine the viability of their policies and programs under alternative, but plausible future conditions. This allows planners to identify blind spots in their current thinking, and become more sensitive to changes in the external environment.

Moreover, the process of scenario building itself encourages organizations to develop innovative ways of thinking about the future.

Scenarios have been used for planning both by business and government. The most well-known example is that of Royal Dutch/Shell. Their planners posed an important but, at that time, unconventional question, to their management, before the 1973 oil crisis, "What would happen to world oil prices, if oil producers, instead of consumers, could dictate the world oil market?" This question eventually paid off well for the company when the oil price shock took place in the early 1970's. The company had already gone through a process of contingency planning and successfully avoided the effects of the turbulent energy crisis.

Scenario Analysis of the World Economy in the 1990s

All Albertans are innudated daily with a constant flow of perplexing new information. Instead of clarifying our perceptions of the world, this constant flow of information makes it more difficult for us to see which are central and which are peripheral issues.

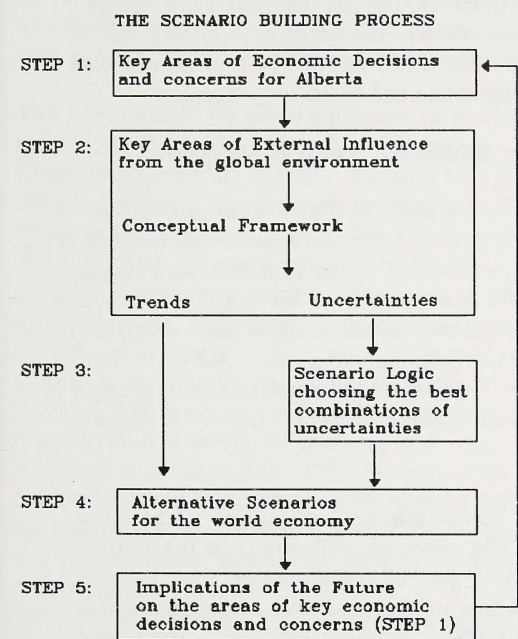
The Strategic Planning and Research Branch of Alberta Economic Development and Trade has adopted the scenario approach as a tool to help the department enhance its capability in strategic planning. The scenario approach is a method for working through the information blizzard. As the first application of the scenario approach, the branch has completed a scenario analysis of the world economy in the 1990s.

The world economic scenarios are intended to give us a mental map for sorting out information and identifying key factors that will be important for the development of a long-term economic strategy for the province. The process we used for building world economic scenarios is shown in the schematic diagram on the next page.

Scenarios for the World Economy

The first step was to identify **key areas of economic decisions and concerns** which we will face in the province in the coming decade. We identified key concerns such as: the viability of resource-based industries, the development of high value-added manufacturing industries, rural economic development, changing skill requirements for the future labour force, a new trading environment under the North American Free Trade Agreement, and the impact of global environmental issues on Alberta.

Secondly, we identified **key areas of external influence** which could affect Alberta's key concerns and decisions in the coming decade. To address the external influences we constructed a mental map which could guide us through a vast and often conflicting flow of information and to help us establish a structure for our scenarios.



The mental map, or the **conceptual framework**, we used can be described briefly as follows:

The 1960s and 1970s were a period of rapid economic growth, enhanced by a harmonious integration of several factors: technological innovations which promoted heavy and chemical industries based on economies of scale, energy and material-intensive production processes and products, the emergence of mass consumer markets, hierarchically-controlled organizations which consisted of functionally-specialized workers, and social consensus on economic growth.

By the 1980s, however, this mode of industrial structure started facing its limitations for further growth: the pool of technological innovations dried up; international commodity prices, particularly energy prices, dramatically increased; environmental problems deepened; consumers were not satisfied with homogeneous products which everybody else had; organizations became frozen in rigid structures; and the social consensus on economic growth no longer prevailed. In the 1980s, as if responding to the limitations of the old mode of industrial structure, a new mode of industrial structure started taking shape, characterized by a new set of technological innovations

(e.g. information technology, biotechnology, advanced material technology) less energy and material-intensive production processes and products, differentiated products and services, and increasing concern for the quality of the environment. These changes are taking place to meet the demands of the new structure.

At present we are caught at the crossroads of the old and new modes of industrial structures. In the 1990s the exact form of the new mode of industrial structure will be sorted out through the interaction of technological innovation, economic structure, institutional innovation, and social values. But we do not yet know what the new mode will be. In our scenarios, the conceptual framework guided us to what we decided would be elements of the new mode of industrial structure. Those which have been established (**trends**), and those which have not yet been established (**uncertainties**). We then determined what kinds of uncertainty would have the most significant influence on the direction of an economic development strategy for Alberta.

We have chosen the following three kinds of uncertainty:

- (1) Uncertainty in the international trading environment: **multilateral** free trade or **protectionist** trade practices?
- (2) Uncertainty in the dominant form of social value: **efficiency**-based social and economic systems or **equity**-based social and economic systems?
- (3) Uncertainty in environmental issues: a **sustainable** environmental priority or a **wealth**-creating priority based on economic growth?

Combinations of Uncertainties

Scenarios	Trade	Social Value	Environment
1	Multilateral	Efficiency	Sustainable
2	Multilateral	Efficiency	Wealth
3	Multilateral	Equity	Sustainable
4	Multilateral	Equity	Wealth
5	Protectionist	Efficiency	Sustainable
6	Protectionist	Efficiency	Wealth
7	Protectionist	Equity	Sustainable
8	Protectionist	Equity	Wealth

Given the above three kinds of key uncertainty, we could think of eight possible combinations, as shown in the above table. Through **scenario logic**, we examined all the combinations for their plausibility, internal consistency, distinctiveness and relevance to Alberta, and chose the three combinations that, we thought, would be most important for Alberta (numbers 2, 3, and 6). This gave us a tool to systematically examine uncertainty in the future.

Alternative Scenarios for the World Economy

In the next stage of scenario process, step four, we wrote three **alternative scenarios** for the world economy in the 1990s. A scenario is a rough sketch of how the world economy will evolve in the future, given the assumptions on the general nature of the economic transition and a specific combination of the key uncertainties. Here are the summaries of the three scenarios:

Scenario A (Number 2) - Technological Competition in a Borderless Economy

In the early part of the 1990s, increasing protectionism is feared to lead the world economy into a depression, and compels major industrialized countries to put extra effort to restore a multilateral trading system. Competition to establish new comparative advantages becomes intense, particularly in the race for new technological innovations. Competitiveness and efficiency become the key words for individuals and corporations. In an increasingly global market, corporations establish strategic alliances and networking beyond national borders. Environmental regulations are mainly implemented locally on cost-benefit basis. There are few international environmental regulations and international disputes arise from environmental issues.

Scenario B (Number 3) - Toward a World of Sustainable Development

The economic gap between industrialized and developing countries continues to widen, causing significant deterioration in the global environment and increased level of political and social instability in the developing countries. The realization of this trend prompts the industrialized countries to take a serious approach to environmental and developmental issues. This results in the restoration of a multilateral trading system with special attention to the economic development of developing countries. Environmental technology is given priority, and the structure of industrialized economies further shifts toward less energy and material-intensive production and consumption.

Scenario C (Number 6) - Trading Blocs and Managed Economies.

International trade conflicts intensify as nations try to protect their domestic industries from the impact of aggressive foreign competition and a world-wide recession. Increasing protective nationalism leads to a breakdown of the international trading system. The world

economy is fragmented into a set of trading blocs. A prolonged world recession prompts governments and businesses to manage their spheres of influence. Governments increase their control over the economy through new regulations, and businesses stabilize their positions in the domestic markets through mergers and acquisitions. Environmental regulations are mainly implemented locally. The speed of technological innovation slows down due to a lack of international market competition and technology transfers.

A Further Step in the Scenario Approach

To complete one cycle of the scenario approach to planning, step five, we must examine **implications** of the scenarios on the areas of key economic decisions and concerns for Alberta. But we left this step as our next project. We did not intend to apply these scenarios rigidly to a variety of planning processes in the Government. Rather, we hoped that these scenarios could provide all planners with a starting point for their own scenario analysis.

A scenario is a rough sketch of how the world economy will evolve in the future, given the assumptions on the general nature of the economic transition and a specific combination of the key uncertainties.

The scenarios have been constructed to channel information into a form which can be most easily applied as a tool for planning. Scenarios are not the future but serve as models of possible futures. The scenario model is a base from which discussion of the future can evolve to address any issue. Of course, the future always remains unpredictable, partly because what will happen in the future greatly depends on human decisions. Seeing the trends which we do not like, we try to change them. But we do not think that this undermines the importance of a scenario approach to planning. Rather it enforces its importance by providing planners with a broader range of possible futures and thus a wider scope to view the choices that will be made for tomorrow.

For the full detailed paper which is outlined in this article, "A Scenario Approach to Planning and World Economic Scenarios" contact Takashi Ohki at the Strategic Planning and Research Branch of Alberta Economic Development and Trade: (403)427-0741 or Fax (403)427-5922.

A step in the right direction

Jason Sheilds and Brian Torgunrud, the summer students who worked with us for the past four months have left us with a few thoughts, observations and suggestions.

This past summer we had the pleasure of participating in the Alberta Government's Student Temporary Employment Program (STEP). We were both employed at Alberta Economic Development and Trade in the Strategic Planning and Research Branch. The STEP program is designed, from the perspective of the student, as a program to provide us with saleable work skills within a field of interest, and as such is intended as primarily educational in nature - a fact that is reflected in a wage that has been virtually static since the inception of the program. The low wage did not diminish the value of the program to us however, in speaking with other students who have been through the STEP program with other branches and departments, we have come to realize that our experience has not been a typical STEP experience by any means. Rather than having meaningful work which reflected a recognition of intelligence, as was the case with us, many students have simply been employed at the lowest possible level, performing tasks that utilize only basic motor skills.

As STEP employees we were in many ways outsiders. A term of employment of four months cannot compare to those who have worked and will continue to work in government for years. We always knew we would be leaving, and that perhaps made some of the bad moments bearable. In other ways, though, we were not outsiders at all. The Strategic Planning and Research branch welcomed both of us (and others) for the summer, with "open arms." Deliberate efforts were made to make us feel like part of the team, part of the crowd. Still we found ourselves in the situation of having one foot in, and one foot out of the civil service. We were praised for good work, and immediately forgiven for the bad. We enjoyed this luxury, knowing that it would not come often in life.

As students of economics and political science, we observed the problem as a basic question of opportunity cost. A manager who employs the lowest-paid worker in the most menial task is simply cost-efficient. This occurs in a period of diminishing budgets and staff. It is not good management, however, to ignore usable skills; so perhaps this is an area that could use some improvement. Unfortunately, some STEP students have brought nothing

more away from their experience than a working knowledge of a single brand of photocopier, and a few lines on a resume. Many of the requests from Strategic Planning and Research are of a statistical nature and perhaps the branch could be best helped by a student with a specialty in the area of statistics. This "increase in utility" of the student to the branch need not be reflected in a higher wage, but the program should be carefully mandated so that it remains an educational experience first and foremost. Such a tailored program would also be more valuable to the student.

Through our experience in Strategic Planning and Research we learned a great deal about Alberta's trade patterns, our economic strengths, weaknesses and tendencies, about effective management and empowerment. We learned that there are fundamental changes in the economic world, and that Alberta must also change. We have had glimpses of projects that are extremely important on a very basic level, and projects much further along the policy food-chain. We have learned how to use WordPerfect and Lotus 1-2-3.

The most generalized skill we have learned is how to make and defend an informed opinion, based not on gut-feel or vague tidbits of knowledge, but on fact and empirical measurements. It is this skill that enabled us to perceive the role of government in a new light, and the role of the public in its operation. As a summer employee for Economic Development and Trade we were given the opportunity for a somewhat different view of government.

Most misunderstanding and dislike of government stems from a problem of perception; it is much easier for a government to be blamed for things that go wrong than it is for it to take credit for productive changes. People tend to blame a recession on the government and credit an economic recovery on a complex series of global conditions. Granted, a government should be continually evaluated and re-evaluated, to ensure that it remains accountable to the electorate. It is also true that the tools and techniques that are used to make these assessments should themselves be continually evaluated and re-evaluated.

Government has a responsibility to perform its role effectively, the populace in turn has a responsibility to constructively criticize the government. Through the STEP program we learned that the tools of constructive criticism are factual information. An impartial evaluation of this information might be the most useful skill we've acquired since learning how to read and write.

The emerging global markets

We have all heard of globalization and the global market place but are offered little empirical evidence of its existence. Donald C. Baron in his paper "Coping With Instability: Management in the 1990s" attempts to identify and quantify who is the 'global market'.

A global consumer "monoculture" is emerging, linking segments of the population of widely disparate countries through similar financial circumstances, educational backgrounds, professions, aspirations, and tastes. This monoculture, comprising perhaps 15 percent of the world's population, has broadly similar consumption patterns for many goods and services, such as automobiles, entertainment, clothing, and travel.

Consumer behaviour converged substantially in the 1980s in Western Europe, North America, and Japan. Less noticed has been a parallel spread of comparable consumption values and tastes among the burgeoning middle class and elite in the developing countries. Indeed, probably more members of this global monoculture reside in the Third World than in each of the major developed regions, and the developing-country contingent is expanding far more rapidly.

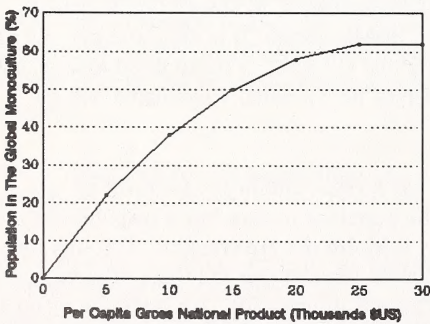
The monoculture is a broadly shared body of knowledge, secular values, and tastes that derive from the universality of information and technology, the convergence of

educational experiences worldwide, and continuously expanding international trade, investment, and travel.

The monoculture is composed of the population in and above the middle-class, of the industrialized countries and people of similar economic status in the developing countries. As the figure illustrates, the percentage of a country's population in the monoculture increases, at a decreasing rate, as gross national product per capita in the country expands. For the more advanced developed countries, this segment comprises 60 percent to 70 percent of the total population. In lower-income countries, the percentage is far smaller, but the large population base in a number of countries still produces a substantial monoculture market. India, for example, may have as many participants in the global monoculture as Germany does.

The table estimates the size of the monoculture in various country groups. Although North America, Western Europe, and Japan account for some two-thirds of the world total, the developing-country segment is quite significant. The number of monoculture members in Asia outside of Japan substantially exceeds the number in Japan. And Latin America has as many as 60 million people in this market segment, despite generally poor economic conditions during the past decade. Perhaps most important, the share of the developing world's participation in the global monoculture will increase over time as its population expands at twice the rate of the developed countries' and as per capita income growth, especially among urban professional and business classes, allows an increasing percentage of people to pursue globalized consumption patterns.

Proportion of Population In The Global Monoculture



THE SIZE OF THE GLOBAL MONOCULTURE

Country	Millions of People
North America	200
Western Europe	200
Japan	80
Asia (excluding Japan)	150
Latin America	60
Other	60
Total	750



Royal Tyrrell Museum

The Royal Tyrrell Museum of Palaeontology, situated within the spectacular badlands of the Red Deer River Valley, is a major research and exhibition centre and one of the largest palaeontological museums in the world. The Museum opened in 1985 and is named after Joseph Burr Tyrrell, a geologist who found the first dinosaur remains in the Drumheller area in 1884.

Operated by Alberta Culture and Multiculturalism, the facility is 11,200 square metres and draws a half million tourists each year from all over the world.

A walk through the Royal Tyrrell Museum is a journey through the corridors of time. World renowned exhibits let you experience 4.5 billion years of the Earth's history. Discover the drama written in the rocks - a startling story revealed by fossilized bones, shells and plants. Watch through a window as recently-found dinosaur specimens are cleaned and prepared for viewing! The Museum is best known for having the largest number of dinosaur specimens on display in the world. Aside from the display hall, this facility is a major research institution advancing the field of palaeontology, dinosaurian studies, and acting as a steward for its massive collections of fossil specimens.

Located 6 km NW of Drumheller on N. Dinosaur Trail in Midland Provincial Park, visitors should allow at least three hours for a Museum visit. As well, Drumheller and the surrounding dinosaur country are filled with other tourist attractions that make a longer stay even more enjoyable.

I STAND CORRECTED

Our apologies to Mr. Kevin Ward who we referred to as Karen Ward in our last issue of *Inside/Out*. Kevin is an independent writer and publisher contracted by the Government of Canada to produce the "Aboriginal Enterprises" newsletter. Good research on our behalf....not!

INVESTIGATIONS

The column that lets you know what's up

Alberta Economic Development and Trade

Investment Matching Service of Alberta (IMSA) is a valuable tool that you can use to help identify and develop business opportunities in Alberta. The IMSA matches investors and strategic alliance partners with entrepreneurs using the resources of the provincial government, which include: six international offices, eight regional offices around Alberta and offices in Edmonton and Calgary. The IMSA communication network brings together worldwide investment with ideas to create business opportunity. The matching service is designed to help both sides of the investment and strategic alliance equation; Alberta Economic Development and Trade acts as a coordinator and advisor. To take advantage of this confidential and free service contact: Ms. Joann Burke at Alberta Economic Development and Trade, Investment Matching Service of Alberta (403)427-3300.



Faculty of Engineering University of Alberta

Dr. Lester Thurow

The Faculty of Engineering in association with the Edmonton Chamber of Commerce present Dr. Lester Thurow as the 1992/93 Poole Engineering Management Eminent Speaker. Dr. Thurow's lecture is entitled "Competitiveness in the New Global Economy and What It Will Take To Succeed". An imperative lecture for all followers of business and economics, at the Edmonton Convention Centre November 5 at 12:15 p.m., tickets are \$20 lunch will be served.

Dr. Lester Thurow, Dean of the Sloan School of Management at the Massachusetts Institute of Technology (MIT) is regarded as one of the great business economists of our age. A well published academician, scholar and past advisor to the U.S. governments Dr. Thurow lists his primary concerns as public finance, macroeconomics and income distribution. A respected lecturer and spokesman, he is a self described "economic educator." Dr. Thurow, clarifies and illuminates on the complexities of economics,

provides an informed opinion on international public policy and the profession of economics, all at a level of laymens understanding.

Information packages are available through the Faculty of Engineering, Ms. Ursula Heinz (403)492-5398. For tickets call the Edmonton Chamber of Commerce at 426-4620.

Hybrid Electric Vehicle

The Hybrid Electric Vehicle project is a unique research and development project headed by the Faculty of Engineering. The University of Alberta is one of two universities in Canada whose submissions were accepted by Ford Motor Company for the design and production of a hybrid electric/combustion vehicle. The project illustrates the cooperation of industry and academia, and the cross-disciplinary cooperation of university faculties. The bottomline on this project is cooperation focused on achievement. Spearheaded through Civil, Electrical and Mechanical Engineering the project enlists the skills of the faculty of Fine Arts for design and visual communication, Home Economic for textiles and the project team has approached the Faculty of Business for marketing and product development expertise.

The project team is energetic and well organized, design and most components are completed, assembly is scheduled for January 1993. After which they would like to take the new vehicle on a cross-Canada educational tour in the summer. The project has been completely supported

through the fund raising efforts of the students. They have achieved their initial funding goals for construction but are still looking for sponsorship of the cross Canada tour. Its not too late to get involved with this exciting project. For full information contact Brian Jorgensen or Bob Martin at (403)492-9940.

Honourary Consul of the Republic of Indonesia

Mrs. Mae E. Berkel-Avé, Honourary Consul of the Republic of Indonesia has written in response to the last issue of *Inside/Out*. If Canada were as densely populated as Indonesia there would be 885,389,280 Canadians 34 times our current population. This missed breaking into the top five in our list by 201,513,964 Canadians but, I think our readers would agree this is far more Canadians than anyone needs right now.

Mrs. Berkel-Avé strongly agrees with the sentiments expressed in the letter of Mr. Saul Katz. Canada has a good international reputation, and needs to get active internationally. She has announced: several joint ventures between German and Japanese concerns and Indonesia, relaxing of trade and ownership laws, and a 13 percent increase in exports and an 18 percent increase in tourism for Indonesia in 1991 over 1990.

If you are interested in doing business in Indonesia Mrs. Brekel-Avé would be happy to provide assistance. Phone (403)430-8742.

Alberta

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